ANNEX 21

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United Kingdom Delegat
MOSCOW.

20th March, 1947.

Dear Mr. Marshall,

When we met on the 18th March I promised to let you have a memorandum on Social and Economic Development in the Middle East.

I now enclose this memorandum with a special annex describing the work of the Haigh Irrigation Commission in Iraq. I hope you will be able to find time to give it your attention.

Yours sincerely,

ERNEST BEVIN

Honourable George C. Marshall,
United States Delegation.

DEPARTMENT OF STATE A/CDC/MR
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MEMORANDUM

The United States Government are aware of the great importance which His Majesty's Government attach to the social and economic development of the Middle East, the raising of the general standard of living, and the improvement of methods and conditions of agricultural and industrial production. It is understood that the United States Government share these views.

The present economic situation in many of the Middle Eastern countries is certainly not healthy. Countries like Egypt, Iraq, and the Levant States are at present living to a large extent on the profits which they made during the war from the presence of Allied forces. Huge fortunes have been made and the gap between rich and poor has been increased while inflation has made the lot of the poorer people more difficult. In Egypt the situation has been aggravated by the pressure of increasing population. The result is a state of growing hardship and discontent. If, however, the various governments can be induced to carry out an honest policy of social and economic development resulting in a general increase in the economic prosperity of the peoples of the Middle East, this should contribute considerably to the internal stability and security of the area and reduce the danger of revolutionary developments and of Communist penetration.

One way in which His Majesty's Government have attempted to assist the governments of Middle Eastern countries, and stimulate them to work out schemes of economic development, has been through the establishment of the British Middle East Office in Cairo with its staff of agricultural, labour, health and statistical advisers whose services are at the disposal of development undertakings in Saudi Arabia as well.

All the development programmes of the various countries will call for extensive outside assistance, and His Majesty's Government hope that they will be able, with the goodwill of the Middle Eastern countries, to make an important contribution to this end. Doubtless also United States activities in the area will be maintained and developed, in which case there will be considerable scope for Anglo-American coordination and cooperation in this important area. The plans of the Middle East Governments will of course require to be financed, and Middle Eastern countries are likely to be hampered by shortage of foreign exchange (although in some cases their increasing oil royalties should ease the position). It is hoped that it may be possible for substantial assistance to be afforded in suitable cases by the International Bank.

ERNEST BEVIN

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Development of Irrigation in Iraq

The Iraqi Irrigation Development Commission, under the presidency of Mr. Haigh, is now drawing up its provisional plans. It is understood that they provide for irrigation works, which, when executed, would

(a) give Iraq complete security from flood damage, and

(b) increase the area of irrigated cultivation from 5,000,000 acres to about 15,000,000 acres.

2. This will have far reaching consequences for the future of Iraq and of the whole Middle East. As Iraq's allies, we wish to assist the Iraqi Government in every way possible to make an outstanding success of this enterprise. We hope that the Iraqi Government, realising its extraordinary importance, will ensure that it is developed with speed and energy.

3. Some of the great benefits which may be expected to accrue to Iraq are:-

(a) Iraq would become a great food producing country for the Middle East, which is at present a net importer of cereals.

(b) By large-scale agricultural development Iraq would broaden the basis of her economic prosperity. In addition to her valuable oil resources, she would in future be able to derive profit from all her cultivable land, and this should greatly benefit her working classes and improve their standard of living.

(c) Most important of all, the energetic development of Iraq's great agricultural potentialities on broad democratic lines should provide a powerful answer to subversive criticism of the present régime. It will give Iraq the basis for that economic prosperity which will assist her to achieve real political stability and progress.

4. In order that the full benefits of the scheme may be realised, however, it is essential to look ahead and make plans now for coordinating the related factors of agricultural organisation, public health and an adequate labour force.

The vast increase in the cultivable area of land will provide a unique opportunity for solving the stubborn problem of land settlement and registration, and for introducing a modern democratic form of land tenure into Iraq.

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Many valuable suggestions in this respect are contained in Dr. Keen's report of Middle East agricultural development, in which he recommended that agricultural organisation in new development areas should be modelled on the principles of a Public Utility Corporation. Three large scale projects have been undertaken on these lines in the Sudan with outstanding success.

5. There is a grave risk that, if energetic preventive measures are not taken, the disease known as bilharzia or liver-fluke, which is already present in Iraq, might well become as great a menace as it is in Egypt. It is, therefore, most desirable that the Irrigation Commission should at every stage of its work have the advice of an expert on public health, whose exclusive duty would be to combat endemic diseases other than malaria.

6. With its present population of 4-1/2 millions, Iraq has barely enough manpower to exploit the 5 million acres at present under cultivation. The situation may be compared with that in Egypt, where 17 million people are now living off 6 million acres of irrigated land. The extension of the irrigated area of Iraq will, therefore, require a great increase of population, which might be combined with the introduction of mechanised agriculture on a large scale. As the standard of living rises, the population of Iraq is likely to increase with the same rapidity as has been seen in Egypt and Palestine. In the interim period, however, it might well be necessary, in order to construct the irrigation works, to import a certain amount of foreign labour.

7. To ensure that all these considerations are taken into account and their implications fully worked out before any new irrigation schemes come into operation, the Iraqi Government might wish to consider a suggestion that a Development Planning Committee should be set up to consider the interdependence of irrigation, agriculture, public health, labour policy and social services. We should be glad to make available to such a committee, if required, the advice of the various British experts attached to the British Middle East Office.

8. It is understood that the irrigation works foreshadowed in Mr. Haigh's plans are estimated to cost about £30,000,000. As the execution of the plans is likely to be spread over a period of from ten to twenty years, this should not be beyond the capacity of the country. The Iraqi Government might wish to consider drawing on their increasing receipts from oil royalties for such capital investment projects. They might also wish to consider applying to the International Bank for a development loan.

E.B.